

DCP 266 Working Group Meeting 06

24 January 2017 at 10:00am

Teleconference

Attendee	Company
Working Group Members	
Anika Brandt [AB]	SSEPD
Chris Ong [CO]	UK Power Networks
Frank Welsh [FW]	UK Power Distribution
George Moran [GM]	British Gas
Matt Johnson [MJ]	ESP
Neil Brinkley [NB]	BUUK Infrastructure
Pat Wormald [PW]	Northern Powergrid
Robert Fairbairn [RF]	Northern Powergrid
Simon Yeo [SY]	Western Power Distribution
Code Administrator	
Rosalind Timperley [RT]	ElectraLink
Dylan Townsend [DT]	ElectraLink

Apologies	Company
Mike Harding [MH]	BUUK Infrastructure
Dave Wornell [DW]	Western Power Distribution
Chris Barker [CB]	ENWL

1. Administration

1.1 The Secretariat noted the welcome and apologies for this meeting.

- 1.2 The Working Group reviewed the “Competition Law Do’s and Don’ts”. All Working Group members agreed to be bound by the Competition Laws Do’s and Don’ts for the duration of the meeting.
- 1.3 The Working Group reviewed the minutes from the last meeting and agreed the minutes were an accurate reflection of the meeting.
 - As requested by NB prior to the meeting an amendment to the list of attendees and apologies was made which reflects the correct company name of NB and MH.
- 1.4 The Working Group noted the items on the actions list from the last meeting. Updates on all actions are provided in Appendix A.

2. Discussion on the new modelling approach

- 2.1 The modelling documents provided by the modelling support consultant were circulated prior to the Working Group meeting.
- 2.2 Members of the Working Group discussed that this model will still require duplication of all input data that goes into the CDCM. The Chair asked Members if they believe this model appears easier to understand and use for their iteration processes compared to the last modelling option. Members suggested it appears to be hybrid solution, and noted the need for caution around the interactions between this change and other DCUSA activities that are running currently.
- 2.3 The Chair asked the Working Group if they wanted to proceed to an Impact Assessment with the new model ‘Method GM’. Members of the Working Group agreed to proceed with an Impact Assessment using the new model.
- 2.4 One Member questioned if there was a typo/error in the Method GM model sample document, specifically section (4)(a) and the reference to table 1038. The Member suggested that it should reference table 1037, however, another Member noted that the table number changed when the new CDCM model was provided in November. The Chair took an action to circulate the new CDCM and EDCM models to the Working Group.

ACTION: 06/01: ElectraLink to circulate new CDCM and EDCM models to the Working Group.

- 2.5 A Member advised that they had reviewed the populated Method GM model that was circulated prior to the meeting and had noted that no discounts have returned a value higher than 100%. The Member suggested the topic of negative discounts should be thought of as negative tariffs, noting that negative tariffs were apparent during the previous Impact Assessment. The Member questioned what changes were made to the model to better understand why negative tariffs don’t appear in this new model. The Chair took an action to confirm with the modelling support consultant why the instances of discounts over 100% have changed in this new model.

ACTION: 06/02: ElectraLink to ask the modelling support consultant if the risk of negative discounts occurring been removed from this new model? If not, what sort of circumstances could result in a negative discount?

- 2.6 One Working Group member asked if any Members had looked at the EDCM discount noting that without new models it has been hard to work out what impact these discounts would have.
- 2.7 The Working Group questioned the G-Calc sheets and noted difficulties in following the calculations as there are over 2,500 lines. The Chair took an action to ask modelling support consultant if they could provide a high level overview of the calculation steps in the G-Calc sheet.

ACTION: 06/03: ElectraLink to ask the modelling support consultant if they could provide a high level overview of the calculation steps in the G-Calc sheet.

3. Discussion on how to populate model input sheet

Incentives

- 3.1 The Chair asked for the Working Group's thoughts on whether incentives should be treated as rewards or as part of underlying costs. Currently incentives relate to performance targets for under or over performers and the amount of discount or penalty depends on that performance. The Working Group noted the need for incentives to be cost reflective and discussed how the model looks at these incentives.
- 3.2 A Member suggested that incentives were previously treated as rewards and/or penalties but noted that in the PCDM it is harder to disaggregate incentives to work out what is a reward and/or penalty. One member suggested that from their point of view the simplest approach is to keep using the same logic as is currently used noting that any change to this logic would require strong reasoning. The Working Group agreed that a question be included in the consultation on how incentives should be treated and any rationale provided for changing the current approach.

ACTION: 06/04: ElectraLink to include question within consultation to asking parties for their views on how incentives should be treated and if that view suggests a change to the current approach then rationale is to be provided.

- 3.3 Members queried if tables 1315 and 1321 have been mislabelled as they refer to 2007/08. Members questioned what items in table 1001 can be classed as incentives and noted the need for the Working Group to come to agreement on which items should be classed as incentives. The Chair took an action to provide table 1001 to the Working Group, so that Members can respond with their thoughts on which items are incentives. This information will then need to be passed to the modelling support consultant for use in the impact assessment.

ACTION: 06/05: ElectraLink to confirm with the modelling support consultant if the revenues 1315 item has this been mislabelled and is this not really 07/08 prices.

ACTION 06/06: ElectraLink to send out table 1001 to Working Group and include items that the Working Group believe are incentives. Working Group members to respond with thoughts on incentive items. ElectraLink to provide information to the modelling support consultant.

Transmission exit charges

- 3.4 The Working Group agreed that Transmission exit charges should be treated the same as currently, noting that that transmission exit charges under the current method are excluded thus they should be excluded under the DCP 266 method.

4. Discussion on approach to negative discounts

- 4.1 The Proposer agreed that a response from the modelling support consultant as to whether negative discounts can still occur with the new model and what the causes may be is needed as discussed earlier in the meeting. The Proposer noted that negative discounts could be the biggest stumbling block towards the progression of the CP. The Proposer discussed withdrawal and noted that the CP would only be withdrawn with approval of the Working Group.

5. Discussion on Impact Assessment approach

- 5.1 The Working Group considered the question of how much data and from what years should be used for the Impact Assessment. It was agreed that an Impact Assessment should be carried out for CDCM and EDCM tariffs for 2017/18 and 2018/19 (with the 2018/19 calculations taking into account DCP 228).

6. Review of DCP 266 Legal Text

- 6.1 The Chair noted that the DCP 266 legal text has been text to re-baselined against the April 2018 pre-release legal text. The main impact is that DCP 234 has moved the IDNO discount calculations into a new Schedule, thus the DCP 266 legal text now amends this new schedule.
- 6.2 Members questioned paragraph 5 of the DCP 266 legal text as it mentions ‘%’ discounts, however It was noted that the absolute p/KWh does get converted to a percentage before it is used. The Working Group agreed with the approach to the legal text as the changes have been moved across to the new text correctly. Members suggested that the legal text should be sent to the modelling support consultant to confirm if their model aligns with the legal text.
- 6.3 It was also agreed that GM should review paragraph 45 of the legal text to confirm whether further amendments are required to this paragraph.

ACTION: 06/07: George Moran to review paragraph 45 of the legal text to confirm whether further amendments are required to this paragraph.

ACTION: 06/08: ElectraLink to send updated legal text to the modelling support consultant and ask them to confirm if their model aligns to the legal text.

7. Review of Work Plan

7.1 The Working Group reviewed and updated the DCP 266 Work Plan; the latest version of the plan is provided as Attachment 1. The initial next steps are as follows:

- Working group to provide information from Actions by 1 February 2017
- DNOs to populate Impact Assessment by 14 February 2017
- Modelling support consultant to provide impact assessment data by 28 February 2017
- Meeting on 6 March 2017 at 2:00pm to review Impact Assessment.

8. Next Steps

8.1 The Working Group agreed to the following next steps:

- ElectraLink to forward responses provided by the modelling support consultant to the Working Group; and
- ElectraLink to contact other DNOs to confirm these next steps.

9. Any Other Business

9.1 One Member questioned if others are satisfied with the modelling option that the modelling support consultant has provided and asked if anything else is needed. The Working Group agreed that it depends upon the ease of inputting data and suggested the possibility of using two input sheets, one a copy and paste from CDCM and the other from the current Method M. The Chair took an action to ask the modelling support consultant if the method described above is a possibility.

ACTION: 06/09: ElectraLink to ask modelling support consultant if the Working Group could have an input sheet that is a cut and paste from the CDCM and one that is from the current method M. For practically of populating.

Date of Next Meeting – 6 March 2017 at 2:00pm

The Working Group agreed for the next meeting to be conducted via web-conference on 6 March 2017 for the purpose of reviewing the Impact Assessment as well as the DCP 266 consultation document.

List of Attachments

Attachment 1 – DCP 266 Work Plan

Attachment 2 – DCP 266 Legal Text

Appendix A – Actions

New and open actions

Action Ref.	Action	Owner	Update
01/03	<p>Points for consideration during the consultation</p> <p>Clarify why the new proposed calculation method is better and demonstrate that the CP meets the DCUSA objectives.</p> <p>Impact Analysis to be carried out as part of the CP development process.</p> <p>Consider issues with the existing PCDM, calculation method within the model</p> <p>Clarify that the CP does not intend to change what the IDNOs charge to their customers, there is no intent to change the end user tariff.</p>	All	<p>Ongoing – 30/11/2016</p> <p>Ongoing – 24/01/2017</p>
03/01	Update the consultation with a high level explanation of the PCDM costs calculations.	George Moran	Ongoing – 24/01/2017
06/01	Circulate new CDCM and EDCM models to the Working Group.	ElectraLink	
06/02	Ask the modelling support consultant if the risk of negative discounts occurring been removed from this new model? If not, what sort of circumstances could result in a negative discount?	ElectraLink	
06/03	Ask the modelling support consultant if they could provide a high level overview of the calculation steps in the G-Calc sheet.	ElectraLink	
06/04	Include question within consultation asking parties for their views on how incentives should be treated and if that view suggests a change to the current approach then rationale is to be provided.	ElectraLink	

06/05	Confirm with the modelling support consultant if the revenues 1315 item has this been mislabelled and is this not really 07/08 prices.	ElectraLink	
06/06	Send out table 1001 to Working Group and include items that the Working Group believe are incentives. Working Group members to respond with thoughts on incentive items. ElectraLink to provide information to the modelling support consultant.	ElectraLink	
06/07	Review paragraph 45 of the legal text to confirm whether further amendments are required to this paragraph.	George Moran	
06/08	Send updated legal text to the modelling support consultant and ask them to confirm if their model aligns to the legal text.	ElectraLink	
06/09	Ask the modelling support consultant if the Working Group could have an input sheet that is a cut and paste from the CDCM and one that is from the current method M. For practicality of populating.	ElectraLink	

Closed actions

Action Ref.	Action	Owner	Update
04/04	Review of the legal text and update it to ensure that it is in line with the DCP 234 legal text and model.	ElectraLink	Completed
05/01	Modelling Consultant to come	Reckon	Completed

	back to group with further modelling options; <ul style="list-style-type: none">• Combining models• Removal of LDNO inputs in CDCM		